

**NEUSTAR, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

0.625% to 1.25%, or at a base rate plus a spread ranging from 0.0% to 0.25%, with the amount of the spread in each case depending on the ratio of the Company's consolidated senior funded indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA). On November 8, 2011, immediately prior to entering into the 2011 Facilities, the Company terminated the 2007 Credit Facility. There were no amounts outstanding under the 2007 Credit Facility at the time of termination or as of December 31, 2010.

**10. COMMITMENTS AND CONTINGENCIES**

**Capital Leases**

The following is a schedule of future minimum lease payments due under capital lease obligations as of December 31, 2011 (in thousands):

2012	\$ 3,313
2013	1,624
2014	395
Total minimum lease payments	5,332
Less: amounts representing interest	(349)
Present value of minimum lease payments	4,983
Less: current portion	(3,065)
Capital lease obligation, long-term	<u>\$ 1,918</u>

The following assets were capitalized under capital leases at the end of each period presented (in thousands):

	December 31,	
	2010	2011
Equipment and hardware	\$ 38,137	\$ 34,630
Furniture and fixtures	334	334
Subtotal	38,471	34,964
Less: accumulated amortization	(30,370)	(31,308)
Net assets under capital leases	<u>\$ 8,101</u>	<u>\$ 3,656</u>

**Operating Leases**

The Company leases office space under noncancelable operating lease agreements. The leases terminate at various dates through 2021 and generally provide for scheduled rent increases.

On January 20, 2010, the Company entered into a lease agreement with a third party relating to its corporate headquarters in Sterling, Virginia. The lease provides for approximately 91,754 square feet of office space. The initial term of the lease commenced on October 1, 2010 and terminates January 31, 2021. The Company has two five-year options to renew the lease, and the rent for the applicable renewal term will be determined if and when the Company exercises its applicable option to renew the lease. The Company recognizes rent incentives and leasehold improvements funded by landlord incentives on a straight-line basis, as a reduction of rent expense, over the initial term of the lease.

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Future minimum lease payments under noncancelable operating leases as of December 31, 2011, are as follows (in thousands):

2012	\$11,954
2013	11,216
2014	10,326
2015	9,756
2016	8,463
Thereafter	<u>34,335</u>
	<u>\$86,050</u>

Rent expense was \$5.1 million, \$6.5 million and \$9.6 million for the years ended December 31, 2009, 2010 and 2011, respectively.

**Contingencies**

Currently, and from time to time, the Company is involved in litigation incidental to the conduct of its business. The Company is not a party to any lawsuit or proceeding that, in the opinion of management, is reasonably likely to have a material adverse effect on its financial position, results of operations or cash flows.

**11. RESTRUCTURING CHARGES**

The Company recorded restructuring charges in continuing operations of \$1.0 million, \$5.4 million and \$3.5 million during the years ended December 31, 2009, 2010 and 2011, respectively. The Company's restructuring charges included in continuing operations during the years ended December 31, 2009 and 2010 included charges incurred in connection with its 2009 restructuring plan to relocate certain operations and support functions to Louisville, Kentucky. Restructuring charges in continuing operations during the year ended December 31, 2010 also consisted of charges incurred under the Company's 2010 management transition restructuring plan. During the year ended December 31, 2011, restructuring charges in continuing operations included charges incurred in connection with the Company's 2010 management transition restructuring plan as well as the restructuring plan initiated in 2011 to reduce the Company's domestic workforce.

The Company recorded restructuring charges in discontinued operations of \$5.0 million, \$2.0 million and \$1.6 million during the years ended December 31, 2009, 2010 and 2011, respectively. The Company's restructuring charges for discontinued operations consisted of charges incurred under its Converged Messaging Services restructuring plan initiated in the fourth quarter of 2008 and completed in the second quarter of 2011.

**Restructuring Plans**

***2011 Restructuring Plan***

In the fourth quarter of 2011, the Company initiated a domestic work-force reduction impacting each of its operating segments and recorded severance and severance-related charges of \$3.1 million. The Company anticipates it will incur additional expenses of approximately \$0.5 million in the first quarter of 2012 under this plan and expects to pay approximately \$2.8 million in remaining severance and severance-related payments through the second quarter of 2012.

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***2010 Management Transition***

In the fourth quarter of 2010, the Company initiated a work-force reduction impacting its Carrier Services and Enterprise Services operating segments and recorded severance and severance-related charges of \$3.8 million. During 2011, the Company recorded additional severance and severance-related charges of \$0.4 million in connection with this restructuring initiative. The Company does not anticipate it will incur additional expenses under this plan and expects to pay approximately \$0.9 million in remaining severance and severance-related payments through the third quarter of 2012.

***2009 Plan***

In October 2009, the Company adopted a plan to relocate certain operations and support functions to Louisville, Kentucky. As of December 31, 2010, total restructuring charges recorded under this plan since inception were \$2.6 million, of which \$1.6 million was recorded in the year ended December 31, 2010. As of December 31, 2010, the restructuring plan was complete and the accrued liability relating to this plan was zero.

***2001 Plan***

As of December 31, 2010, the liability related to a reduction in leased facilities incurred in connection with a 2001 restructuring plan was \$0.8 million. As of December 31, 2011, this plan was complete and the Company does not anticipate it will incur additional expenses under this plan.

***Converged Messaging Services, Discontinued Operations***

Beginning in the fourth quarter of 2008, management committed to and implemented a restructuring plan for the Company's Converged Messaging Services business, previously known as the Company's Next Generation Messaging business, to more appropriately allocate resources to the Company's key mobile instant messaging initiatives. The restructuring plan involved a reduction in headcount and closure of specific leased facilities in some of the Company's international locations. In the third quarter of 2009 and the fourth quarter of 2010, the Company extended the restructuring plan to include further headcount reductions and closure of certain additional facilities. During 2011, the Company sold certain assets and liabilities of Neustar NGM Services, Inc. and its subsidiaries used in the Converged Messaging Services business, and completed the wind-down of the residual operations of its Converged Messaging Services business. Restructuring charges for all periods presented have been reclassified into "(Loss) income on discontinued operations, net of tax" in the Company's consolidated statements of operations.

Total net restructuring charges recorded under this plan since the fourth quarter of 2008 include approximately \$8.4 million of severance and severance-related costs and \$1.8 million of lease and facility exit costs. Amounts related to lease terminations due to the closure of excess facilities will be paid over the remainder of the respective lease terms, the longest of which extends through 2013.

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*Summary of Accrued Restructuring Plans*

The additions and adjustments to the accrued restructuring liability related to the Company's restructuring plans as described above for the year ended December 31, 2011 are as follows (in thousands):

	December 31, 2010	Additional Costs	Cash Payments	Adjustments	December 31, 2011
Converged Messaging Services:					
Severance and related costs	\$ 656	\$ 733	\$(1,253)	\$(136)	\$ —
Lease and facilities exit costs	172	313	(593)	717	609
Total Converged Messaging Services	828	1,046	(1,846)	581	609
2011 Restructuring Plan:					
Severance and related costs	—	3,121	(288)	—	2,833
2010 Management Transition:					
Severance and related costs	3,354	488	(2,863)	(60)	919
2001 Plan:					
Lease and facilities exit costs	836	—	(836)	—	—
Total restructuring plans	<u>\$5,018</u>	<u>\$4,655</u>	<u>\$(5,833)</u>	<u>\$ 521</u>	<u>\$4,361</u>

**12. OTHER (EXPENSE) INCOME**

Other (expense) income consists of the following (in thousands):

	Year Ended December 31,		
	2009	2010	2011
Interest and other expense:			
Interest expense	\$2,310	\$ 388	\$4,831
(Gain) loss on asset disposals	(695)	(112)	996
Loss on ARS Rights	3,410	6,892	—
Foreign currency transaction (gain) loss	(222)	(173)	452
ARS impairments and trading losses	410	—	—
Total	<u>\$5,213</u>	<u>\$6,995</u>	<u>\$6,279</u>
Interest and other income:			
Interest income	\$ 937	\$ 575	\$1,265
Realized gains on cash reserve fund	450	—	—
ARS trading gains	4,038	7,007	—
Available-for-sale realized gains	—	—	701
Gain on ARS Rights	886	—	—
Gain on indemnification claims	1,180	—	—
Total	<u>\$7,491</u>	<u>\$7,582</u>	<u>\$1,966</u>

During 2009, the Company received a \$1.2 million payment for indemnification claims related to the acquisition of Followap, Inc. in 2006. During 2010 and 2011, the Company recorded a reduction of \$1.2 million and \$0.7 million, respectively, in interest expense related to a decrease in an accrued sales tax liability.

In 2011, the Company paid \$10.0 million of loan origination fees related to its 2011 Facilities and recorded \$19.4 million in deferred financing costs. Total amortization expense of the loan origination fees and deferred

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financing costs was approximately \$0.6 million for the year ended December 31, 2011 and is reported as interest expense in the consolidated statements of operations. As of December 31, 2011, the balance of unamortized loan origination fees and deferred financing costs was \$28.8 million.

**13. INCOME TAXES**

The provision for income taxes, continuing operations, consists of the following components (in thousands):

	Year Ended December 31,		
	2009	2010	2011
Current:			
Federal	\$60,910	\$70,210	\$54,615
State	13,560	14,708	12,076
Total current	<u>74,470</u>	<u>84,918</u>	<u>66,691</u>
Deferred:			
Federal	2,530	(1,133)	12,113
State	(502)	(1,503)	2,333
Total deferred	<u>2,028</u>	<u>(2,636)</u>	<u>14,446</u>
Total provision for income taxes, continuing operations	<u>\$76,498</u>	<u>\$82,282</u>	<u>\$81,137</u>

A reconciliation of the statutory United States income tax rate to the effective income tax rate for continuing operations follows:

	Year Ended December 31,		
	2009	2010	2011
Tax at statutory rate	35.0%	35.0%	35.0%
State taxes	4.3	4.3	4.5
Other	0.6	0.8	0.1
Change in valuation allowance	(0.1)	(0.2)	—
Effective tax rate, continuing operations	<u>39.8%</u>	<u>39.9%</u>	<u>39.6%</u>

The Company's annual effective tax rate from continuing operations decreased to 39.6% for the year ended December 31, 2011 from 39.9% for the year ended December 31, 2010 primarily due to a benefit for federal research tax credits and a change in estimate of the realizability of acquired Quova, Inc. net operating losses partially offset by settlement of the Company's Internal Revenue Service examination and TARGUSinfo acquisition-related costs and stock repurchase costs, which are nondeductible for tax purposes. The Company's annual effective tax rate increased to 39.9% for the year ended December 31, 2010 from 39.8% for the year ended December 31, 2009 primarily due to an increase in foreign withholding income taxes.

On February 7, 2011, the Company sold certain business assets and liabilities of Neustar NGM Services, Inc. (NGM Services) and its subsidiaries, a portion of the Converged Messaging Services business. The Company intends to treat the common stock of NGM Services as worthless for U.S. income tax purposes in its 2011 U.S. federal and state income tax returns. As a result, the Company recorded an income tax benefit of \$42.7 million for the three months ended March 31, 2011 within discontinued operations, which primarily represents the book and tax basis differences associated with its investment in NGM Services.

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The Company realized certain tax benefits related to nonqualified and incentive stock option exercises in the amounts of \$0.6 million, \$1.6 million and \$4.5 million for the years ended December 31, 2009, 2010 and 2011, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows (in thousands):

	December 31,	
	2010	2011
Deferred tax assets:		
Domestic NOL carryforwards	\$ 10,396	\$ 11,088
Foreign NOL carryforwards	996	43,748
Restructuring accrual	890	1,374
Deferred revenue	5,034	4,234
Accrued compensation	2,979	3,973
Stock-based compensation expense	18,114	21,832
Realized losses on investments	1,247	1,189
Deferred rent	347	4,638
Other	2,596	3,121
Total deferred tax assets	42,599	95,197
Valuation allowance	(2,340)	(45,971)
Total deferred tax assets, net	40,259	49,226
Deferred tax liabilities:		
Unbilled receivables	(2,828)	(2,184)
Depreciation and amortization	(14,122)	(39,859)
Identifiable intangible assets	(4,299)	(118,246)
Deferred costs	(2,712)	(3,493)
Other	(15)	(417)
Total deferred tax liabilities	(23,976)	(164,199)
Net deferred tax assets (liabilities)	\$ 16,283	\$(114,973)

As of December 31, 2011, the Company had U.S. net operating loss carryforwards for federal tax purposes of approximately \$24.5 million which expire, if unused, in various years from 2020 to 2030. As of December 31, 2011, certain losses generated by NGM Services are no longer prevented from use in another jurisdiction under U.S. tax law and are recorded as United Kingdom (U.K.) net operating loss carryforwards. The Company is evaluating limitations that may apply to its U.K. net operating losses to determine the amount of the approximately \$172.9 million gross net operating losses that are ultimately available for carryforward indefinitely under U.K. tax law. Upon recognition of the deferred tax asset associated with its U.K. net operating loss carryforwards, the Company recorded a full valuation allowance against the asset. As of December 31, 2011, the Company had other foreign net operating loss carryforwards of approximately \$3.0 million, of which \$2.6 million can be carried forward indefinitely under current local tax laws and \$0.4 million which expire, if unused, in years beginning 2016.

As of December 31, 2011, the approximate amount of earnings from foreign subsidiaries that the Company considers indefinitely reinvested and for which deferred taxes have not been provided was approximately \$1.7 million. It is not practicable to determine the income tax liability that would be payable if such earnings were not indefinitely reinvested.

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As of December 31, 2010 and 2011, the Company had unrecognized tax benefits of \$1.2 million and \$1.6 million, respectively, of which \$1.2 million and \$1.6 million, respectively, would affect the Company's effective tax rate if recognized. The net increase in the liability for unrecognized income tax benefits is as follows (in thousands):

Balance at January 1, 2009	\$1,054
Increase related to current year tax positions	48
Increase related to prior year tax positions	353
Reductions due to lapse in statutes of limitations	(158)
Settlements	(225)
Balance at December 31, 2009	1,072
Increase related to current year tax positions	95
Increase related to prior year tax positions	—
Reductions due to lapse in statutes of limitations	(8)
Settlements	—
Balance at December 31, 2010	1,159
Increase related to current year tax positions	195
Increase related to prior year tax positions	715
Positions assumed in TARGUSinfo acquisition	259
Reductions due to lapse in statutes of limitations	(618)
Settlements	(144)
Balance at December 31, 2011	<u>\$1,566</u>

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2009, 2010 and 2011, the Company recognized potential interest and penalties of \$66,000, \$26,000 and \$118,000, respectively, including interest related to uncertain tax positions of companies acquired during the year. As of December 31, 2010 and 2011, the Company had established reserves of approximately \$84,000 and \$153,000, respectively, for accrued potential interest and penalties related to uncertain tax positions. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision. During the year ended December 31, 2011, accrued interest and penalties decreased by \$49,000 due to settlements and expiration of certain statutes of limitations.

The Company files income tax returns in the United States Federal jurisdiction and in many state and foreign jurisdictions. The tax years 2007 through 2010 remain open to examination by the major taxing jurisdictions to which the Company is subject. The IRS completed an examination of the Company's federal income tax returns for the years 2007 and 2008. The audit resulted in no material adjustments. The Company also settled a withholding tax audit with the Israeli Taxing Authority for the years 2007 to 2009. The audit resulted in no material adjustments.

The Company anticipates that total unrecognized tax benefits will decrease by approximately \$661,000 over the next 12 months due to the expiration of certain statutes of limitations and settlement of tax audits.



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**14. STOCKHOLDERS' EQUITY**

**Preferred Stock**

The Company is authorized to issue up to 100,000,000 shares of preferred stock, \$0.001 par value per share, in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the rights, preferences, privileges, qualifications, limitations and restrictions of the shares of each wholly unissued series. As of December 31, 2010 and 2011, there are no preferred stock shares issued or outstanding.

**Common Stock**

The Company is authorized to issue up to 200,000,000 shares of Class A common stock, \$0.001 par value per share and 100,000,000 shares of Class B common stock, \$0.001 par value per share. Each holder of Class A and Class B common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of Class A and Class B common stock are entitled to receive dividends out of assets legally available at the time and in the amounts as the Company's Board of Directors may from time to time determine.

**Stock-Based Compensation**

The Company has five stock incentive plans: the NeuStar, Inc. 1999 Equity Incentive Plan (1999 Plan); the NeuStar, Inc. 2005 Stock Incentive Plan (2005 Plan); the NeuStar, Inc. 2009 Stock Incentive Plan (2009 Plan); the Targus Information Corporation Amended and Restated 2004 Stock Incentive Plan (TARGUSinfo Plan); and the AMACAI Information Corporation 2004 Stock Incentive Plan (AMACAI Plan) (collectively, the Plans). The Company may grant to its directors, employees and consultants awards under the 2009 Plan in the form of incentive stock options, nonqualified stock options, stock appreciation rights, shares of restricted stock, restricted stock units, PVRsUs and other stock-based awards. The aggregate number of shares of Class A common stock with respect to which all awards may be granted under the 2009 Plan is 11,911,646, plus the number of shares underlying awards granted under the 1999 Plan, the 2005 Plan, the TARGUSinfo Plan, and the AMACAI Plan that remain undelivered following any expiration, cancellation or forfeiture of such awards. As of December 31, 2011, 7,176,325 shares were available for grant or award under the 2009 Plan.

The term of any stock option granted under the Plans may not exceed ten years. The exercise price per share for options granted under the Plans may not be less than 100% of the fair market value of the common stock on the option grant date. The Board of Directors or Compensation Committee of the Board of Directors determines the vesting schedule of the options, with a maximum vesting period of ten years. Options issued generally vest with respect to 25% of the shares underlying the option on the first anniversary of the grant date and 2.083% of the shares on the last day of each succeeding calendar month thereafter. The options expire seven to ten years from the date of issuance and are forfeitable upon termination of an option holder's service.

The Company has granted and may in the future grant restricted stock to directors, employees and consultants. The Board of Directors or Compensation Committee of the Board of Directors determines the vesting schedule of the restricted stock, with a maximum vesting period of ten years. Restricted stock issued generally vests in equal annual installments over a four-year term.

Stock-based compensation expense recognized for the years ended December 31, 2009, 2010 and 2011 was \$13.5 million, \$17.0 million and \$27.5 million, respectively. As of December 31, 2011, total unrecognized compensation expense related to non-vested stock options, non-vested restricted stock awards, non-vested restricted stock units and non-vested PVRsUs granted prior to that date was estimated at \$43.5 million, which the Company expects to recognize over a weighted average period of approximately 1.48 years. Total unrecognized



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compensation expense as of December 31, 2011 is estimated based on outstanding non-vested stock options, non-vested restricted stock awards, non-vested restricted stock units and non-vested PVRsUs. Stock-based compensation expense may be increased or decreased in future periods for subsequent grants or forfeitures, and changes in the estimated fair value of non-vested awards granted to consultants.

**Stock Options**

The Company utilizes the Black-Scholes option pricing model for estimating the fair value of stock options granted. The weighted-average grant date fair value of options granted during the years ended December 31, 2009, 2010 and 2011 was \$6.47, \$8.12 and \$8.83, respectively. The following are the weighted-average assumptions used in valuing the stock options granted during the years ended December 31, 2009, 2010 and 2011, and a discussion of the Company's assumptions.

	Year Ended December 31,		
	2009	2010	2011
Dividend yield	— %	— %	— %
Expected volatility	43.37 %	39.13 %	37.16 %
Risk-free interest rate	1.60 %	2.07 %	1.56 %
Expected life of options (in years)	4.42	4.42	4.41

Dividend yield — The Company has never declared or paid dividends on its common stock and does not anticipate paying dividends in the foreseeable future.

Expected volatility — Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company considered the historical volatility of its stock price over a term similar to the expected life of the grant in determining its expected volatility.

Risk-free interest rate — The risk-free interest rate is based on U.S. Treasury bonds issued with similar life terms to the expected life of the grant.

Expected life of the options — The expected life is the period of time that options granted are expected to remain outstanding. The Company determined the expected life of stock options based on the weighted average of (a) the time-to-settlement from grant of historically settled options and (b) a hypothetical holding period for the outstanding vested options as of the date of fair value estimation. The hypothetical holding period is the amount of time the Company assumes a vested option will be held before the option is exercised. To determine the hypothetical holding period, the Company assumes that a vested option will be exercised at the midpoint of the time between the date of fair value estimation and the remaining contractual life of the unexercised vested option.

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The following table summarizes the Company's stock option activity:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Life (in years)
Outstanding at December 31, 2008	4,660,565	\$20.15		
Options granted	2,237,649	17.33		
Options exercised	(344,183)	4.96		
Options forfeited	(602,773)	26.08		
Outstanding at December 31, 2009	5,951,258	19.37		
Options granted	1,951,205	23.16		
Options exercised	(596,426)	13.02		
Options forfeited	(590,478)	23.41		
Outstanding at December 31, 2010	6,715,559	20.68		
Options granted	2,425,873	26.93		
Options exercised	(2,339,890)	16.79		
Options forfeited	(637,286)	24.17		
Increase due to acquisition	369,570	22.29		
Outstanding at December 31, 2011	6,533,826	\$24.15	\$65.5	4.82
Exercisable at December 31, 2011	2,651,973	\$23.63	\$28.0	2.98
Exercisable at December 31, 2010	3,620,689	\$19.95	\$29.1	3.25
Exercisable at December 31, 2009	3,079,893	\$18.82	\$24.5	3.73

The aggregate intrinsic value of options exercised for the years ended December 31, 2009, 2010 and 2011 was \$4.2 million, \$7.1 million and \$29.2 million, respectively.

The following table summarizes information regarding options outstanding at December 31, 2011:

Range of Exercise Price	Options Outstanding		Weighted-Average Remaining Contractual Life (in years)	Options Exercisable	
	Number of Options Outstanding	Weighted-Average Exercise Price		Number of Options Exercisable	Weighted-Average Exercise Price
\$0.00 – \$3.48	21,870	\$ 3.18	0.20	21,870	\$ 3.18
\$3.49 – \$6.97	254,227	6.04	1.05	254,227	6.04
\$6.98 – \$10.45	10,596	9.25	6.13	4,206	8.46
\$10.46 – \$13.94	8,743	10.96	3.68	4,411	10.86
\$13.95 – \$17.42	702,606	15.48	3.50	337,047	15.40
\$17.43 – \$20.90	307,917	18.89	7.00	49,352	19.04
\$20.91 – \$24.39	1,439,326	22.71	4.20	495,215	22.61
\$24.40 – \$27.87	2,568,428	26.41	5.15	630,118	26.36
\$27.88 – \$31.36	510,352	30.21	2.12	407,552	30.23
\$31.37 – \$34.84	709,761	32.88	4.33	447,975	32.87
	6,533,826	\$24.15	4.35	2,651,973	\$23.63

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**Restricted Stock**

The following table summarizes the Company's non-vested restricted stock activity:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2008	260,298	\$25.50	
Restricted stock granted	192,000	20.69	
Restricted stock vested	(61,375)	25.90	
Restricted stock forfeited	(37,766)	27.11	
Outstanding at December 31, 2009	353,157	22.64	
Restricted stock granted	330,890	23.18	
Restricted stock vested	(85,619)	24.76	
Restricted stock forfeited	(63,838)	22.60	
Outstanding at December 31, 2010	534,590	22.82	
Restricted stock granted	402,670	27.04	
Restricted stock vested	(185,433)	26.20	
Restricted stock forfeited	(106,832)	24.80	
Outstanding at December 31, 2011	<u>644,995</u>	\$24.16	\$22.0

The total aggregate intrinsic value of restricted stock vested during the years ended December 31, 2009, 2010 and 2011 was approximately \$1.3 million, \$2.0 million and \$5.3 million, respectively. During the years ended December 31, 2009, 2010 and 2011, the Company repurchased 18,208, 26,720 and 62,583 shares of common stock, respectively, for an aggregate purchase price of \$0.4 million, \$0.6 million, and \$1.6 million, respectively, pursuant to the participants' rights under the Company's stock incentive plans to elect to use common stock to satisfy their tax withholding obligations.

**Performance Vested Restricted Stock Units**

During the years ended 2009, 2010 and 2011, the Company granted 532,943, 266,580 and 234,112 PVRsUs, respectively, to certain employees with an aggregate fair value of \$8.3 million, \$6.1 million, and \$6.2 million, respectively. The vesting of these stock awards is contingent upon the Company achieving specified financial targets at the end of the specified performance period and an employee's continued employment through the vesting period. The level of achievement of the performance conditions affects the number of shares that will ultimately be issued. The range of possible stock-based award vesting is between 0% and 150% of the initial target. Compensation expense related to these awards is recognized over the requisite service period based on the Company's estimate of the achievement of the performance target and vesting period. As of December 31, 2011, the level of achievement of the performance target awards for PVRsUs granted during 2009, 2010 and 2011 was 133%, 116% and 134%, respectively.

During 2011, the Company revised its estimate of achievement of the performance target related to the PVRsUs granted during 2010 from 100% of target to 105% of target, and further revised its estimate of achievement in the fourth quarter of 2011 to 116% of target. In addition, the Company revised its estimate of achievement of the performance target related to the PVRsUs granted during 2011 from 100% of target to 131% of target, and further revised its estimate of achievement in the fourth quarter of 2011 to 134% of target. These changes in estimates did not have a material impact on the Company's income from continuing operations and

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earnings per diluted share from continuing operations for the year ended December 31, 2011. As of December 31, 2011, the performance periods related to the PVRsUs granted during 2010 and 2011 were complete and the levels of achievement of the performance target was fixed.

The fair value of a PVRsU is measured by reference to the closing market price of the Company's common stock on the date of the grant. Compensation expense is recognized on a straight-line basis over the requisite service period based on the number of PVRsUs expected to vest.

The following table summarizes the Company's non-vested PVRsU activity:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Non-vested December 31, 2008	413,143	\$28.98	
Granted	532,943	15.57	
Vested	—	—	
Forfeited	(106,300)	23.38	
Non-vested December 31, 2009	839,786	21.17	
Granted	266,580	22.84	
Vested	(6,000)	29.32	
Forfeited	(259,443)	28.01	
Non-vested December 31, 2010	840,923	19.53	
Granted	234,112	26.45	
Vested	—	—	
Forfeited	(240,660)	24.74	
Non-vested December 31, 2011	<u>834,375</u>	\$19.97	\$28.5

The total aggregate intrinsic value of PVRsUs vested during the year ended December 31, 2010 was approximately \$0.2 million. During the year ended December 31, 2010, the Company repurchased 2,129 shares of common stock for an aggregate purchase price of \$0.1 million pursuant to the participants' rights under the Plans to elect to use common stock to satisfy their tax withholding obligations. No PVRsUs vested in the years ended December 31, 2009 and 2011.

On January 1, 2012, 581,490 PVRsUs vested with a total aggregate intrinsic value of \$19.9 million. These PVRsUs were granted in 2009. The Company repurchased 210,664 shares of common stock for an aggregate purchase price of \$7.2 million pursuant to the participants' rights under the Plans to elect to use common stock to satisfy their tax withholding obligations.

**NEUSTAR, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Restricted Stock Units**

The following table summarizes the Company's restricted stock units activity:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2008	110,599	\$26.21	
Granted	52,512	22.85	
Vested	—	—	
Forfeited	—	—	
Outstanding at December 31, 2009	163,111	25.13	
Granted	68,754	21.31	
Vested	—	—	
Forfeited	—	—	
Outstanding at December 31, 2010	231,865	23.99	
Granted	46,933	26.64	
Vested	(29,110)	24.39	
Forfeited	(750)	25.84	
Outstanding at December 31, 2011	248,938	\$24.44	\$8.5

These restricted stock units were issued to non-management directors of the Company's Board of Directors and certain employees. Restricted stock units granted to non-management directors will fully vest on the earlier of the first anniversary of the date of grant or the day preceding the date in the following calendar year on which the Company's annual meeting of stockholders is held. Upon vesting of restricted stock units granted prior to 2011, each director's restricted stock units will automatically be converted into deferred stock units, and will be delivered to the director in shares of the Company's stock six months following the director's termination of board service. Upon vesting of restricted stock units that were granted in 2011, each director's restricted stock units will automatically be converted into deferred stock units and will be delivered to the director in shares of the Company's stock six months following the director's termination of board service unless a director elected near-term delivery, in which case the vested restricted stock units will be delivered on August 15, 2012.

**Share Repurchase Programs**

*Modified Dutch Auction Tender Offer*

On November 3, 2011, the Company announced the commencement of a modified Dutch auction tender offer to purchase up to \$250 million of its Class A common stock. A modified Dutch auction tender offer allows stockholders to indicate how many shares and at what price they wish to tender their shares within a specified share price range. Based on the number of shares tendered and the prices specified by the tendering stockholders, the Company determined the lowest price per share within the range that allowed it to purchase \$250 million in value of its Class A common shares. The tender offer expired on December 2, 2011. A total of 7,246,376 shares of the Company's Class A common stock were repurchased at a price of \$34.50 per share, for an aggregate cost of approximately \$250 million, excluding fees and expenses relating to the tender offer. All repurchased shares were accounted for as treasury shares. During the fourth quarter of 2011, the Company recorded expense of \$2.4 million in its consolidated statements of operations attributed to this share repurchase plan.

**NEUSTAR, INC.**  
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**2010 Share Repurchase Plan**

The Company announced on July 28, 2010 that its Board of Directors had authorized a three-year program under which the Company may acquire up to \$300 million of its outstanding Class A common shares. Share repurchases under this program may be made through a Rule 10b5-1 plan, open market purchases, privately negotiated transactions or otherwise as market conditions warrant, at prices the Company deems appropriate, and subject to applicable legal requirements and other factors. This Rule 10b5-1 plan was terminated on November 3, 2011 upon the commencement of the Company's modified Dutch auction tender offer. During the years ended December 31, 2010 and 2011, the Company repurchased 1,668,399 shares and 2,833,745 shares, respectively, at an average price of \$24.21 and \$26.22, respectively, for an aggregate purchase price of approximately \$40.4 million and \$74.3 million, respectively. All repurchased shares were accounted for as treasury shares.

**15. BASIC AND DILUTED NET INCOME PER COMMON SHARE**

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net income per common share (in thousands, except per share data):

	Year Ended December 31,		
	2009	2010	2011
Computation of basic net income (loss) per common share:			
Income from continuing operations	\$115,510	\$124,028	\$123,574
(Loss) income from discontinued operations, net of tax	(14,369)	(17,819)	37,249
Net income	<u>\$101,141</u>	<u>\$106,209</u>	<u>\$160,823</u>
Weighted average common shares and participating securities outstanding – basic	<u>74,301</u>	<u>74,555</u>	<u>72,974</u>
Basic net income (loss) per common share from:			
Continuing operations	\$ 1.55	\$ 1.66	\$ 1.69
Discontinued operations	(0.19)	(0.24)	0.51
Basic net income per common share	<u>\$ 1.36</u>	<u>\$ 1.42</u>	<u>\$ 2.20</u>
Computation of diluted net income (loss) per common share:			
Weighted average common shares and participating securities outstanding – basic	74,301	74,555	72,974
Effect of dilutive securities:			
Stock-based awards	1,164	1,510	1,522
Weighted average common shares outstanding – diluted	<u>75,465</u>	<u>76,065</u>	<u>74,496</u>
Diluted net income (loss) per common share from:			
Continuing operations	\$ 1.53	\$ 1.63	\$ 1.66
Discontinued operations	(0.19)	(0.23)	0.50
Diluted net income per common share	<u>\$ 1.34</u>	<u>\$ 1.40</u>	<u>\$ 2.16</u>

Diluted net income per common share reflects the potential dilution of common stock equivalents such as options and warrants, to the extent the impact is dilutive. The Company used income from continuing operations as the control number in determining whether potential common shares were dilutive or anti-dilutive. The same number of potential common shares used in computing the diluted per-share amount from continuing operations was also used in computing the diluted per-share amounts from discontinued operations even if those amounts were anti-dilutive.

**NEUSTAR, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Common stock options to purchase an aggregate of 3,965,256, 4,155,395 and 4,124,861 shares were excluded from the calculation of the denominator for diluted net income per common share due to their anti-dilutive effect for the years ended December 31, 2009, 2010, and 2011, respectively.

**16. SEGMENT INFORMATION**

The Company has three operating segments, reflective of the manner in which the CODM allocates resources and assesses performance: Carrier Services, Enterprise Services, and Information Services. On November 8, 2011, the Company completed its acquisition of TARGUSinfo and introduced its new Information Services operating segment. The Company's operating segments are the same as its reportable segments.

During the second quarter of 2011, the Company ceased operations of its Converged Messaging Services business and the results of operations of this business have been reclassified as discontinued operations in the Company's consolidated statements of operations for each of the periods presented (see Note 3).

The Company's Carrier Services operating segment provides services that ensure the seamless connection of its carrier customers' numerous networks, while also enhancing the capabilities and performance of their customer's infrastructure. The Company enables its carrier customers to use, exchange and share critical resources, such as telephone numbers, to facilitate order management and work flow processing among carriers, and allows operators to manage and optimize the addressing and routing of IP communications.

The Company's Enterprise Services operating segment provides services to its enterprise customers to meet their respective directory-related needs, as well as Internet infrastructure services. The Company is the authoritative provider of essential registry services and manages directories of similar resources, or addresses, that its customers use for reliable, fair and secure access and connectivity. The Company provides a suite of DNS services to its enterprise customers built on a global directory platform. The Company manages a collection of directories that maintain addresses in order to direct, prioritize and manage Internet traffic, and to find and resolve Internet queries and top-level domains. The Company's services monitor and load-test websites to help identify issues and optimize performance. In addition, the Company provides fixed IP geolocation services that help enterprises identify the location of their consumers used in a variety of purposes, including fraud prevention and marketing. Additionally, the Company provides directory services for the 5- and 6-digit number strings used for all U.S. Common Short Codes, which is part of the short messaging service relied upon by the U.S. wireless industry.

The Company's Information Services segment provides a broad portfolio of real-time information and analytics services that enable clients to identify, verify and score their customers and prospective customers, or prospects, to deliver customized responses to a large number of consumer-initiated queries. As an example, the Company provides marketers with the ability to tailor offers made to consumers over the telephone or on the Internet in real time. The Company is one of the largest non-carrier providers of Caller ID services, and provides a comprehensive market analytics platform that enables clients to segment and score customers and prospects for real-time interactive marketing initiatives. Additionally, the Company's business listings identity management service provides local businesses and local search platforms with a single, trusted source of verified business listings for local searches. The Company's online audience marketing solution enables online advertisers to display relevant advertisements to specific audiences, increasing the effectiveness of online advertising and delivering a more useful online experience for consumers using a database and targeting system that protect a consumer's privacy.

The Company reports segment information based on the "management" approach which relies on the internal performance measures used by the CODM to assess the performance of each operating segment in a



**NEUSTAR, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

given period. In connection with that assessment, the CODM reviews revenues and segment contribution, which excludes certain unallocated costs within the following expense classifications: cost of revenue, sales and marketing, research and development and general and administrative. Depreciation and amortization and restructuring charges are also excluded from segment contribution.

The Company's historical Carrier Services segment disclosures have been recast for comparative purpose to exclude the discontinued operations of its Converged Messaging Services business. Information for the years ended December 31, 2009, 2010, and 2011 regarding the Company's reportable segments from continuing operations was as follows (in thousands):

	Year Ended December 31,		
	2009	2010	2011
Revenue:			
Carrier Services	\$357,339	\$391,762	\$447,894
Enterprise Services	109,914	129,104	151,390
Information Services	—	—	21,171
Total revenue	<u>\$467,253</u>	<u>\$520,866</u>	<u>\$620,455</u>
Segment contribution:			
Carrier Services	\$317,070	\$352,317	\$391,000
Enterprise Services	46,130	59,284	65,080
Information Services	—	—	12,583
Total segment contribution	<u>363,200</u>	<u>411,601</u>	<u>468,663</u>
Indirect operating expenses:			
Cost of revenue (excluding depreciation and amortization shown separately below)	66,080	75,690	83,990
Sales and marketing	15,269	16,345	17,340
Research and development	10,644	11,871	16,234
General and administrative	50,651	63,750	92,317
Depreciation and amortization	29,852	32,861	46,209
Restructuring charges	974	5,361	3,549
Consolidated income from operations	<u>\$189,730</u>	<u>\$205,723</u>	<u>\$209,024</u>

Assets are not tracked by segment and the CODM does not evaluate segment performance based on asset utilization.

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***Enterprise-Wide Disclosures***

Geographic area revenues and service offering revenues from external customers for the years ended December 31, 2009, 2010 and 2011, and geographic area long-lived assets as of December 31, 2010 and 2011 are as follows (in thousands):

	Year Ended December 31,		
	2009	2010	2011
Revenues by geographical areas:			
North America	\$440,479	\$489,770	\$581,914
Europe and Middle East	15,228	17,057	24,443
Other regions	11,546	14,039	14,098
Total revenues	<u>\$467,253</u>	<u>\$520,866</u>	<u>\$620,455</u>
Revenues by service offerings:			
Carrier Services:			
Numbering Services	\$329,513	\$361,813	\$397,973
Order Management Services	20,983	19,815	35,804
IP Services	6,843	10,134	14,117
Total Carrier Services	<u>357,339</u>	<u>391,762</u>	<u>447,894</u>
Enterprise Services:			
Internet Infrastructure Services	55,631	69,113	82,987
Registry Services	54,283	59,991	68,403
Total Enterprise Services	<u>109,914</u>	<u>129,104</u>	<u>151,390</u>
Information Services:			
Identification Services	—	—	13,873
Verification & Analytics Services	—	—	4,465
Local Search & Licensed Data Services	—	—	2,833
Total Information Services	<u>—</u>	<u>—</u>	<u>21,171</u>
Total revenues	<u>\$467,253</u>	<u>\$520,866</u>	<u>\$620,455</u>
		Year Ended December 31,	
		2010	2011
Long-lived assets, net			
North America		\$91,675	\$438,799
Central America		—	45
Europe and Middle East		1,588	25
Other regions		7	1
Total long-lived assets, net		<u>\$93,270</u>	<u>\$438,870</u>

**17. EMPLOYEE BENEFIT PLANS**

The Company has a 401(k) Profit-Sharing Plan for the benefit of all employees who meet certain eligibility requirements. This plan covers substantially all of the Company's full-time employees. The Company makes matching and other discretionary contributions under this plan, as determined by the Board of Directors. The Company recognized contribution expense totaling \$4.3 million, \$4.2 million and \$5.0 million for the years ended December 31, 2009, 2010 and 2011 respectively.

**NEUSTAR, INC.**  
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In June 2008, the Company established the NeuStar, Inc. Deferred Compensation Plan. The Deferred Compensation Plan allows directors and key employees to defer a portion of their salary and up to 100% of their bonus, commissions, incentive awards, directors' fees, and certain equity-based cash compensation, as applicable. The assets of the Deferred Compensation Plan are held in a Rabbi Trust, and are therefore available to satisfy the claims of creditors in the event of bankruptcy or insolvency of the Company. The assets of the Rabbi Trust are invested in marketable securities and reported at market value. Changes in the fair value of the securities are reflected in accumulated other comprehensive loss. The assets of the Rabbi Trust are recorded within other assets on the consolidated balance sheets. As of December 31, 2010 and 2011, the assets held in the Rabbi Trust were approximately \$3.7 million and \$4.0 million, respectively. As of December 31, 2010 and 2011, the Company's unrealized gain was approximately \$0.6 million and \$16,000, respectively, attributable to the securities held in the Rabbi Trust.

The Deferred Compensation Plan participants make investment allocation decisions on amounts deferred under the Deferred Compensation Plan solely for the purpose of adjusting the value of a participant's account balance. The participant does not have a real or beneficial ownership interest in any securities held in the Rabbi Trust. Obligations to pay benefits under the Deferred Compensation Plan are reported at fair value as deferred compensation in other long-term liabilities. As of December 31, 2010 and 2011, the deferred compensation obligation related to the Deferred Compensation Plan was approximately \$3.6 million and \$4.0 million, respectively. Changes in the fair value of the deferred compensation obligation are reflected in deferred compensation expense. The Company recognized losses of \$0.4 million, \$0.3 million and \$0.4 million in compensation expense for changes in the fair value of the deferred compensation obligation during the years ended December 31, 2009, 2010 and 2011, respectively.

**18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

The following is unaudited quarterly financial information for the two year period ended December 31, 2011. In management's opinion, the unaudited financial information has been prepared on the same basis as the audited information and includes all adjustments (consisting only of normal recurring adjustments) necessary for fair presentation of the quarterly financial information presented.

	Quarter Ended			
	Mar. 31, 2010	Jun. 30, 2010	Sep. 30, 2010	Dec. 31, 2010
	(in thousands, except per share data)			
Summary consolidated statement of operations:				
Total revenue	\$126,835	\$127,731	\$129,438	\$136,862
Income from operations	46,967	53,307	53,320	52,129
Income from continuing operations	28,323	32,527	31,820	31,358
(Loss) income from discontinued operations	(3,121)	(3,954)	(1,871)	(8,873)
Net income	25,202	28,573	29,949	22,485
Basic net income (loss) per common share from:				
Continuing operations	\$ 0.38	\$ 0.43	\$ 0.43	\$ 0.42
Discontinued operations	(0.04)	(0.05)	(0.03)	(0.12)
Basic net income per common share	<u>\$ 0.34</u>	<u>\$ 0.38</u>	<u>\$ 0.40</u>	<u>\$ 0.30</u>
Diluted net income (loss) per common share from:				
Continuing operations	\$ 0.37	\$ 0.42	\$ 0.42	\$ 0.42
Discontinued operations	(0.04)	(0.05)	(0.03)	(0.12)
Diluted net income per common share	<u>\$ 0.33</u>	<u>\$ 0.37</u>	<u>\$ 0.39</u>	<u>\$ 0.30</u>

NEUSTAR, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Quarter Ended			
	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011
	(in thousands, except per share data)			
Summary consolidated statement of operations:				
Total revenue	\$146,095	\$147,683	\$152,497	\$174,180
Income from operations	56,315	55,235	58,075	39,399
Income from continuing operations	33,465	33,616	37,773	18,720
Income (loss) from discontinued operations	38,510	(1,261)	—	—
Net income	71,975	32,355	37,773	18,720
Basic net income (loss) per common share from:				
Continuing operations	\$ 0.45	\$ 0.46	\$ 0.52	\$ 0.26
Discontinued operations	0.52	(0.02)	—	—
Basic net income per common share	<u>\$ 0.97</u>	<u>\$ 0.44</u>	<u>\$ 0.52</u>	<u>\$ 0.26</u>
Diluted net income (loss) per common share from:				
Continuing operations	\$ 0.45	\$ 0.45	\$ 0.51	\$ 0.26
Discontinued operations	0.51	(0.02)	—	—
Diluted net income per common share	<u>\$ 0.96</u>	<u>\$ 0.43</u>	<u>\$ 0.51</u>	<u>\$ 0.26</u>

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

## **ITEM 9A. CONTROLS AND PROCEDURES**

Attached as exhibits to this Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended. This “Controls and Procedures” section includes information concerning the controls and controls evaluation referred to in the certifications. The report of Ernst & Young LLP, our independent registered public accounting firm, regarding its audit of our internal control over financial reporting is set forth below in this section. This section should be read in conjunction with the certifications and the Ernst & Young report for a more complete understanding of the topics presented.

### **Evaluation of Disclosure Controls and Procedures**

We conducted an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” as of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Disclosure controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of disclosure controls includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis for purposes of providing the management report which is set forth below.

The evaluation of our disclosure controls included a review of the controls’ objectives and design, our implementation of the controls and their effect on the information generated for use in this Form 10-K. In the course of the controls evaluation, we reviewed identified data errors, control problems or indications of potential fraud and, where appropriate, sought to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the Chief Executive Officer and Chief Financial Officer, concerning the effectiveness of the disclosure controls can be reported in our periodic reports on Form 10-Q and Form 10-K. Many of the components of our disclosure controls are also evaluated on an ongoing basis by our finance organization. The overall goals of these various evaluation activities are to monitor our disclosure controls, and to modify them as necessary. Our intent is to maintain the disclosure controls as dynamic systems that change as conditions warrant.

Based upon the controls evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Form 10-K, our disclosure controls were effective to provide reasonable assurance that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that material information related to NeuStar and its consolidated subsidiaries is made known to management, including the Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared. We reviewed the results of management’s evaluation with the Audit Committee of our Board of Directors.

## **Management Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP; and (iii) provide reasonable assurance regarding authorization to effect the acquisition, use or disposition of Company assets, as well as the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management assessed our internal control over financial reporting as of December 31, 2011, the end of our fiscal year. Management based its assessment on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed by our finance organization.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP.

Our assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Targus Information Corporation, which was included in our 2011 consolidated financial statements since the acquisition date of November 8, 2011 and constituted 5.2% of total assets, excluding goodwill and intangible assets acquired, as of December 31, 2011 and 3.4% of revenues for the year then ended.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the Company's internal control over financial reporting. Ernst & Young has issued an attestation report, which is included at the end of this section.

## **Inherent Limitations on Effectiveness of Controls**

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Other inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## **Changes in Internal Control over Financial Reporting**

On a quarterly basis we evaluate any changes to our internal control over financial reporting to determine if material changes occurred. There were no changes in our internal controls over financial reporting during the quarterly period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
NeuStar, Inc.

We have audited NeuStar, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). NeuStar, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Targus Information Corporation, which is included in the 2011 consolidated financial statements of NeuStar, Inc. and constituted 5.2% of total assets, excluding goodwill and intangible assets acquired, as of December 31, 2011 and 3.4% of revenues for the year then ended. Our audit of internal control over financial reporting of NeuStar, Inc. also did not include an evaluation of the internal control over financial reporting of Targus Information Corporation.

In our opinion, NeuStar, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.



We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NeuStar, Inc. as of December 31, 2010 and 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

McLean, Virginia  
February 29, 2012

**ITEM 9B. OTHER INFORMATION**

None.

### **PART III**

#### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE**

Information about our directors and executive officers and our corporate governance is incorporated by reference to our definitive proxy statement for our 2012 Annual Meeting of Stockholders, or our 2012 Proxy Statement, which is anticipated to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011, under the headings "Board of Directors," "Executive Officers and Management" and "Governance of the Company." Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference to our 2012 Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance." Information about our Audit Committee, including the members of the Audit Committee, and Audit Committee financial experts, is incorporated by reference to our 2012 Proxy Statement under the heading "Governance of the Company." Information about the NeuStar policies on business conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and our controller, is incorporated by reference to our 2012 Proxy Statement under the heading "Governance of the Company."

#### **ITEM 11. EXECUTIVE COMPENSATION**

Information required by Item 11 of this report is incorporated by reference to our 2012 Proxy Statement, under the heading "Compensation."

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information required by Item 12 of this report is incorporated by reference to our 2012 Proxy Statement, under the headings "Beneficial Ownership of Shares of Common Stock" and "Equity Compensation Plan Information."

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by Item 13 of this report is incorporated by reference to our 2012 Proxy Statement, under the heading "Governance of the Company."

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information about the fees for professional services rendered by our independent registered public accounting firm in 2010 and 2011 is incorporated by reference to the discussion under the heading "Audit and Non-Audit Fees" in our 2012 Proxy Statement. Our audit committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading "Governance of the Company."

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

(1)

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	56
Consolidated Financial Statements covered by the Report of Independent Registered Public Accounting Firm:	
Consolidated Balance Sheets as of December 31, 2010 and 2011	57
Consolidated Statements of Operations for the years ended December 31, 2009, 2010 and 2011	59
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2009, 2010 and 2011	60
Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2010 and 2011	61
Notes to the Consolidated Financial Statements	62

(2)

Schedule for the three years ended December 31, 2009, 2010 and 2011:	
II — Valuation and Qualifying Accounts	112
(a) (3) and (b) Exhibits required by Item 601 of Regulation S-K:	

NEUSTAR, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

	As of December 31,		
	2009	2010	2011
	(in thousands)		
<b>Allowance for Doubtful Accounts</b>			
Beginning Balance	\$ 1,209	\$ 1,425	\$ 1,435
Additions	3,045	2,600	2,596
Reductions (1)	(2,829)	(2,590)	(2,089)
Ending Balance	<u>\$ 1,425</u>	<u>\$ 1,435</u>	<u>\$ 1,942</u>
<b>Deferred Tax Asset Valuation Allowance</b>			
Beginning Balance	\$ 2,864	\$ 2,610	\$ 2,340
Additions (2)	15	266	44,002
Reductions	(269)	(536)	(371)
Ending Balance	<u>\$ 2,610</u>	<u>\$ 2,340</u>	<u>\$45,971</u>

- (1) Includes the reinstatement and subsequent collections of account receivable that were previously written-off.
- (2) Includes \$43.2 million related to U.K. net operating loss carryforwards. As of December 31, 2011, certain losses generated by NGM Services are no longer prevented from use in another jurisdiction under U.S. tax law and are recorded as United Kingdom (U.K.) net operating loss carryforwards. The Company is evaluating limitations that may apply to its U.K. net operating losses to determine the amount of the net operating losses that are ultimately available for carryforward indefinitely under U.K. tax law. Upon recognition of the deferred tax asset associated with its U.K. net operating loss carryforwards, the Company recorded a full valuation allowance against the asset. See Note 13 of our Consolidated Financial Statements in Item 8 of Part II of this report.

Exhibit Index

See exhibits listed under the Exhibit Index below.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 29, 2012.

NEUSTAR, INC.

By:                     /s/ LISA A. HOOK                      
**Lisa A. Hook**  
**President and Chief Executive Officer**

We, the undersigned directors and officers of NeuStar, Inc., hereby severally constitute Lisa A. Hook and Paul S. Lalljie, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 29, 2012.

<u>Signature</u>	<u>Title</u>
<u>/s/ LISA A. HOOK</u> <b>Lisa A. Hook</b>	President, Chief Executive Officer (Principal Executive Officer) and Director
<u>/s/ PAUL S. LALLJIE</u> <b>Paul S. Lalljie</b>	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ JAMES G. CULLEN</u> <b>James G. Cullen</b>	Chairman, Board of Directors
<u>/s/ GARETH CHANG</u> <b>Gareth Chang</b>	Director
<u>/s/ JOEL P. FRIEDMAN</u> <b>Joel P. Friedman</b>	Director
<u>/s/ ROSS K. IRELAND</u> <b>Ross K. Ireland</b>	Director
<u>/s/ PAUL A. LACOUTURE</u> <b>Paul A. Lacouture</b>	Director
<u>/s/ MICHAEL J. ROWNY</u> <b>Michael J. Rowny</b>	Director
<u>/s/ HELLENE S. RUNTAGH</u> <b>Hellene S. Runtagh</b>	Director

## Exhibit Index

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
(2.1)	Agreement and Plan of Merger, dated as of October 10, 2011, by and among NeuStar, Inc., Tumi Merger Sub, Inc., Targus Information Corporation and Michael M. Sullivan, as Stockholder Representative, incorporated herein by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed October 11, 2011.
(3.1)	Restated Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 to Amendment No. 7 to our Registration Statement on Form S-1, filed June 28, 2005 (File No. 333-123635).
(3.2)	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed December 16, 2010.
(10.1)	Contractor services agreement entered into the 7th day of November 1997 by and between NeuStar, Inc. and North American Portability Management LLC, as amended, incorporated herein by reference to (a) Exhibit 10.1 to our Quarterly Report on Form 10-Q, filed August 15, 2005; (b) Exhibit 10.1.1. to our Annual Report on Form 10-K, filed March 29, 2006; (c) Exhibit 10.1.2 to our Quarterly Report on Form 10-Q, filed August 14, 2006; (d) Exhibit 10.1.3 to our Quarterly Report on Form 10-Q, filed August 14, 2006**; (e) Exhibit 99.1 to our Current Report on Form 8-K, filed September 22, 2006; (f) Exhibit 10.1.1 to our Annual Report on Form 10-K, filed March 1, 2007; (g) Exhibit 10.1.2 to our Quarterly Report on Form 10-Q, filed November 5, 2007**, (h) Exhibit 10.1.1 to our Annual Report on Form 10-K, filed February 28, 2008, (i) Exhibit 10.1.2 to our Quarterly Report on Form 10-Q, filed November 10, 2008; (j) Exhibit 99.1 to our Current Report on Form 8-K, filed on January 28, 2009; (k) Exhibit 10.1.3 to our Quarterly Report on Form 10-Q, filed on August 4, 2009; and (l) Exhibit 10.1.4 to our Quarterly Report on Form 10-Q, filed on October 30, 2009, (m) Exhibit 10.1.1 to our Annual Report on form 10-K, filed February 26, 2010; (n) Exhibit 10.1.2 to our Quarterly Report on Form 10-Q, filed on July 28, 2010; and (o) Exhibit 10.1.1 to our Quarterly Report on Form 10-Q, filed April 27, 2011.
(10.2)	NeuStar, Inc. 1999 Equity Incentive Plan (the "1999 Plan"), incorporated herein by reference to Exhibit 10.8 to Amendment No. 3 to our Registration Statement on Form S-1, filed May 27, 2005 (File No. 333-123635).†
(10.3)	NeuStar, Inc. 2005 Stock Incentive Plan (the "2005 Plan"), incorporated herein by reference to Exhibit 10.51 to our Quarterly Report on Form 10-Q, filed August 8, 2007.†
(10.4)	TARGUS Information Corporation Amended and Restated 2004 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to our Registration Statement on Form S-8, filed November 18, 2011 (File No. 333-177979).†
(10.5)	AMACAI Information Corporation 2004 Stock Incentive Plan. Incorporated by reference to Exhibit 99.1 to our Registration Statement on Form S-8, filed November 14, 2011 (File No. 333-177976).†
(10.6)	Loudoun Tech Center Office Lease by and between Merritt-LT1, LLC, Landlord, and NeuStar, Inc., Tenant, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed on June 2, 2009.
(10.7)	Loudoun Tech Center Office Lease by and between Merritt-LT1, LLC, Landlord, and NeuStar, Inc., Tenant, incorporated herein by reference to (a) Exhibit 10.37 to Amendment No. 2 to our Registration Statement on Form S-1, filed May 11, 2005 (File No. 333-123635) and (b) Exhibit 99.2 to our Current Report on Form 8-K, filed June 2, 2009.

- (10.8) Lease, dated January 20, 2010, by and between Ridgetop Three, L.L.C. and NeuStar, Inc., incorporated herein by reference to (a) Exhibit 99.1 to our Current Report on Form 8-K, filed January 20, 2010, and (b) Exhibit 10.61.1 to our Quarterly Report on Form 10-Q, filed October 28, 2010.
- (10.9) Credit Agreement dated as of November 8, 2011 among NeuStar, Inc., Morgan Stanley Senior Funding Inc., as Administrative Agent, Initial Swing Line Bank and Collateral Agent, and the guarantors, other agents and lenders party thereto, incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed November 8, 2011 (File No. 001-32548).
- (10.10) Security Agreement dated as of November 8, 2011 among NeuStar, Inc., Morgan Stanley Senior Funding Inc., as Collateral Agent for the secured parties thereto and the subsidiaries of Neustar, Inc. party thereto, incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed November 8, 2011 (File No. 001-32548).
- (10.11) NeuStar, Inc. 2010 Key Employee Severance Pay Plan, incorporated herein by reference to Exhibit 10.28 to our Current Report on Form 8-K, filed July 28, 2010.†
- (10.12) Executive Relocation Policy, incorporated herein by reference to Exhibit 10.29 to our Quarterly Report on Form 10-Q, filed August 4, 2009.†
- (10.13) Form of Nonqualified Stock Option Agreement under the 2005 Plan, incorporated herein by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed March 5, 2007.†
- (10.14) Form of Incentive Stock Option Agreement under the 2005 Plan, incorporated herein by reference to Exhibit 10.47 to Amendment No. 3 to our Registration Statement on Form S-1, filed May 27, 2005 (File No. 333-123635).†
- 10.15 Form of Indemnification Agreement.†
- (10.16) Summary Description of Non-Management Director Compensation incorporated herein by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q, filed July 28, 2011.†
- (10.17) Forms of Directors' Restricted Stock Unit Agreement, incorporated herein by reference to (a) Exhibit 99.2 to our Current Report on Form 8-K, filed April 14, 2006;(b) Exhibit 10.36 to our Quarterly Report on Form 10-Q, filed August 4, 2009; (c) Exhibit 10.46 to our Quarterly Report on Form 10-Q, filed July 28, 2011; and (d) Exhibit 10.47 to our Quarterly Report on Form 10-Q, filed July 28, 2011.†
- (10.18) Form of Performance Award Agreement under the NeuStar, Inc. 2005 Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K/A, filed February 28, 2008.†
- (10.19) Form of Restricted Stock Agreement under the NeuStar, Inc. 2005 Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 99.2 to our Current Report on Form 8-K/A, filed February 28, 2008.†
- (10.20) Second Form of Restricted Stock Agreement under the NeuStar, Inc. 2005 Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 99.3 to our Current Report on Form 8-K/A, filed February 28, 2008.†
- (10.21) Form of Nonqualified Stock Option Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, incorporated by reference from Exhibit 99.2 to our Current Report on Form 8-K, filed December 15, 2009. †
- (10.22) Form of Performance Award Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed March, 1, 2010. †
- (10.23) Form of Restricted Stock Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to our Current Report on Form 8-K, filed March 1, 2010. †



- (10.24) Form of Performance Award Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 10.46 to our Quarterly Report on Form 10-Q, filed April 27, 2011.†
- (10.25) Form of Restricted Stock Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, as amended incorporated herein by reference to Exhibit 10.47 to our Quarterly Report on Form 10-Q, filed April 27, 2011.†
- (10.26) Form of Nonqualified Stock Option Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, incorporated herein by reference from Exhibit 10.48 to our Quarterly Report on Form 10-Q, filed April 27, 2011.†
- (10.27) NeuStar, Inc. Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.31 to our Quarterly Report on Form 10-Q, filed July 28, 2011.†
- (10.28) Form of Agreement Respecting Noncompetition, Nonsolicitation and Confidentiality, incorporated herein by reference to Exhibit 10.41 to our Quarterly Report on Form 10-Q, filed May 12, 2008.
- (10.29) Employment Agreement, made as of January 15, 2009, by and between NeuStar, Inc. and Paul Lalljie, incorporated herein by reference to Exhibit 99.2 to our Current Report on Form 8-K, filed January 15, 2009, as superseded by Compensation Agreement, made as of December 9, 2009, by and between Neustar, Inc. and Paul Lalljie, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed on December 15, 2009.†
- (10.30) NeuStar, Inc. 2009 Performance Achievement Reward Plan, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed February 27, 2009.†
- (10.31) Form of Performance Award Agreement under the NeuStar, Inc. 2005 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.2 to our Current Report on Form 8-K, filed February 27, 2009.†
- (10.32) Form of Performance Award Agreement under the NeuStar, Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.3 to our Current Report on Form 8-K, filed December 15, 2009.†
- (10.33) NeuStar, Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed on April 13, 2009.†
- (10.34) Form of Agreement Respecting Noncompetition, Nonsolicitation and Nondisparagement, incorporated herein by reference to Exhibit 10.42 to our Annual Report on Form 10-K, filed February 25, 2011.†
- (10.35) Board Stock Ownership Guidelines, incorporated herein by reference to Exhibit 10.43 to our Annual Report on Form 10-K, filed February 25, 2011.
- (10.36) Form of Performance Award Agreement under the NeuStar, Inc. 2005 Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 99.3 to our Current Report on Form 8-K, filed July 13, 2007.†
- (10.37) Form of Restricted Stock Agreement under the NeuStar, Inc. 2005 Stock Incentive Plan, incorporated by reference to Exhibit 10.45 to Amendment No. 3 to our Registration Statement on Form S-1, filed May 27, 2005 (File No. 333-123635).†
- 21.1 Subsidiaries of NeuStar, Inc.
- 23.1 Consent of Ernst & Young LLP, independent registered public accounting firm.
- 24.1 Power of Attorney (included on the signature page herewith).
- 31.1 Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Update to the Functional Requirements Specification, which is attached as Exhibit B to the contractor services agreement by and between NeuStar, Inc. and North American Portability Management, LLC.
99.2	Update to the Interoperable Interface Specification, which is attached as Exhibit C to the contractor services agreement by and between NeuStar, Inc. and North American Portability Management, LLC.
101.INS	XBRL Instance Document***
101.SCH	XBRL Taxonomy Extension Schema***
101.CAL	XBRL Taxonomy Extension Calculation***
101.DEF	XBRL Taxonomy Extension Definition***
101.LAB	XBRL Taxonomy Extension Label***
101.PRE	XBRL Taxonomy Extension Presentation***

† Compensation arrangement.

\*\* Confidential treatment has been requested or granted for portions of this document. The omitted portions of this document have been filed with the Securities and Exchange Commission.

\*\*\* Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions or other liability provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In addition, users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

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